

**Remarks by Mr Carl Bildt to the ACTE Global Conference
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Where is the world heading?

You have a professional reason to ask yourself that question day after day, week after week, month after month.

But you are not alone. We all have reason to be concerned.

We live in a time of great changes. More often than not there are more questions than there are answers.

A time when the only thing that is really certain is that the world is shrinking, and our mutual dependence – certainly of the good, and regrettably also of bad - is growing by the day.

Often we are more concerned with the later than we are with the former. So let's start with one story of success and true progress.

Dublin and Ireland is a true story of success in this the third wave of globalisation and this new era of European integration.

After having been the backwater of Europe for generations, it entered the then European Community in 1973 as its then poorest member, with the cloud of the terror of the ugly conflict over the six counties in the North of the island hanging over everyone and everything.

Today, that seems a very long time ago.

Since then, Ireland has transformed itself into a Celtic Tiger that has attracted talent and capital and entrepreneurships from around the world, and which has managed to propel itself from the poorest member of the European Community then to the second richest country of the European Union of today.

Success didn't come easily. A strong investment in education was important. A truly business-friendly environment not less so. A credible macroeconomic framework critical – the real take-off come after the Irish commitment to the economic and monetary union. A demography that made this the country of the Young Europeans.

And a gradually increased commitment by each and everyone to get rid of terrorism and seek a workable political settlement to the strife that had taken so man innocent lives not only in the North, but throughout the these islands.

The 1998 Good Friday Agreement, bringing together Unionist and Republicans in Ulster, as well as the governments in Dublin and London, has brought real progress, marginalized the remaining hard-line terrorists and created real hope that a true and truly lasting peace – with the last gun, the last gram of Semtex and the last bank account finally gone - will be possible.

The good story of Ireland during these years has thus taught us two things.

First, that great economic and social progress is indeed possible when the right policies are in place and when they are pursued consistently and over time.

Second, that the fight against terrorism, and against national and ethnic strife, is by no means an easy and a quick one, but that over time even its causes can and must be overcome.

These are lessons worth bearing in mind as we contemplate the many challenges ahead in Europe as well as in the wider world.

The Irish success story is but one of many European success stories during past years.

Many of us still remember the time when Portugal, Spain and Greece were ruled by ossified authoritarian regimes that were turning their back to Europe, despised democracy and denied their young people their freedom and their future.

Today, these countries are stable democracies, impressively growing economies and self-confident members of the European Union.

But the true miracle of our generation - in this part of the world - is the miracle that took its beginning when in November of 1989 came down that shameful wall that had divided a city, a country and a continent, and that since then has made possible the largest, most peaceful and most successful regime change in modern history.

Within just months from now, all the countries of the Baltic as well as Central European region will become full members of both the European Union and the Atlantic Alliance. A decade ago, very few would have thought this possible, but now this dream of theirs is on the verge of coming true.

This is all the more remarkable if you take their history into consideration.

Remember that a century ago none of these states really existed, that none of them succeeded in building a stable democracy after they had been created or recreated

out of the debris of empires after the First World War, that they had all been plagued by minority and nationality problems, making them first easy prey for Hitler and then easy prey for Stalin.

The miracle that we have seen in the transformation of all these countries would never have been possible without the model provided by – and the magnetism generated by – the European Union and its frameworks of integration and cooperation.

In much the same way as this model and magnetism secured the democracy after the authoritarian regimes in Southern Europe has it provided stability to the democratic transition after the totalitarian nightmare these nations endured as part of the Soviet Empire.

The defining event of modern Europe is undoubtedly 1989. What happened then set the agenda for the politics of Europe not only for the years that have passed since, but also for many more years to come. All understanding of the politics of Europe must start with an understanding of this.

It transformed the old European Community into a far more ambitious European Union – decisions by qualified majority started to be the norm rather than the exception. It drove the momentous decision to move from a single market to a single currency – a success story still evolving. It made it necessary to start building not only a common foreign and security policy – step by step overcoming very old divisions.

And it was a moral and political imperative to open up this Union to all those countries of the former Soviet Empire that could fulfil the so-called Copenhagen criteria – a stable democracy, the rule of the law, a competitive economy, a commitment to the integration of Europe.

The change has been staggering.

I remember the day in early 1989 when I took the strictly controlled Soviet boat from Helsinki over the frozen Gulf of Finland to the frozen reality of then still Soviet Republic of Estonia.

Contacts had been severely restricted for more than a generation. There were eight telephone lines between Sweden and all of the Soviet Union during these years. You could wait for hours for a call to come through – and you could always be certain that there was someone else on the line as well. Tallinn was as a grey as the rest of the Soviet Union.

Now – only a few years later – you can take one of the commuter helicopters that leave from the Helsinki or Tallinn city centre every 20 minutes. Or one of the many very fast ferries. Last year, there were nearly as many passengers on this route as there are inhabitants in all of Finland.

And Tallinn - in independent Estonia on the threshold of full membership of both the European Union and NATO - is today a colourful, vibrant and truly forward-looking city.

From Tallinn to Trieste the story is the same. It is a true miracle – it was very different not long ago, and it could very easily have gone wrong in the uncertain years immediately after the collapse of the Soviet Empire and the socialist system.

Between Trieste and Thessaloniki it certainly did.

Yugoslavia was a fairly decent place by the standards of that part of Europe in those times.

You certainly risked being locked up if you expressed political views deemed as dangerous to the system. But you could travel abroad, and you enjoyed a standard of living that people in Estonia or Poland could only dream off.

But we know what happened.

Ruthless leaders started to exploit that powerful brew of nationalist dreams and fears that often lies just under the surface in regions of national and religious mosaic – as in most of South-eastern Europe.

Suddenly, we had war in Europe again. Millions of people were forced to flee from their homes. Hundreds of thousands lost their lives. Men were driven into a brutality they themselves hardly had believed they were capable of.

I worked with ending the war in Bosnia, and I lived for more than two years in Sarajevo immediately after the war. I learnt the painful lessons that we never have the right to take peace for granted – not even in our time, not even in our Europe.

More than anything else – this is what drives the process of European integration.

Before 1989, we prevented war in Europe and in the world primarily by the instruments of military deterrence – from the armoured divisions in the hearth of Europe to the nuclear missiles deep in the plains of America.

After 1989, we are building peace – which is a far more ambitious concept - primarily by the instruments of economic and political integration – and we seek to include a wider and wider circle of nations in this important process.

Although the European Union is now enlarged from 15 to 25 member states – encompassing 450 million people - the process is by no means finished. The agenda of 1989 will continue to dominate the politics of Europe for years to come.

Three dominating tasks are ahead of us.

The first is the to agree on a constitutional treaty that establishes the system of governance for this vast and diverse Union.

This work entered a decisive phase in Rome the last weekend with the beginning of the fifth inter-governmental conference in the half-century long history of European

integration. It will – in all probability – be concluded under the Irish presidency of the union early next year.

The aim is to give us a more both comprehensive and comprehensible framework for our governance, setting out more clearly the division of responsibilities not only between its institutions, but also which powers the member states have decided to confer upon them.

The task is not easy. Nothing like this has ever been done in the history of the evolution of human political systems.

A system of governance that is seen as both effective and legitimate by all, that gives voice to both a Malta of 200 000 people and a Germany of 80 million, that sets the rules for the largest integrated market of the world and that can accommodate more than 25 different national cultures and identities is bound to something of a challenge.

But it will happen. In May of next year the new Treaty of Rome will be signed. And it will then go for ratification debates throughout Europe that are bound to be heated and might well be open to surprises. Ireland – among others - has a tendency in this direction.

The second task relates to the ten new members and the true integration of them by giving them room to pursue the policies that over time will make it possible for them to reach the economic and social level of most other European countries.

On average, their economies are on a level app 40 % of the average in the European Union of today. Even with growth-oriented policies, and good conditions, it will take decades – up to a generation - to overcome this horrible legacy of the dark years.

But Ireland has shown that it can be done.

Poland has already grown by nearly 50 % during the last decade. Estonia has done even better. A late starter as Slovakia is now preparing impressive reform packages

to pave the way for a Tiger economy also in Bratislava. With very few exceptions we see that it is in these countries that the very major manufacturing investments that new car plants represent are now being made.

Already, these countries are more fully integrated in the EU economy than most old EU members are. The reason for this is that they had to switch from an almost total dependence on the old Soviet system to a near total orientation to the new European markets.

But with the full and formal membership comes further benefits. Financial integration will accelerate. Structural funds will be made available for upgrading infrastructure. There will be powerful incentives to get rid of remaining corruption and to improve administrative structures.

We see news reports that already some of these countries have initiated discreet discussions on joining the Exchange Rate Mechanism in order to pave the way for a speedy introduction of the Euro. Estonia and Latvia are almost certain to go Euro already in 2007.

Others are likely to follow in the years thereafter, although the process will demand a cleaning up of budget balances in some of the Central European countries.

Thus, I see good possibilities for these countries to continue on a path of growth well above the European average for many years, thus gradually closing the gap.

The third task is to go beyond these countries, and continue first with the process of enlargement, and then with the process of gradual integration, perhaps in less ambitious form, with what is now referred to as Wider Europe.

On present trends, it is not unlikely that Romania and Bulgaria will become members in 2007, and not impossible that Croatia will follow in 2008. It could be a year later in each case, but the difference isn't great.

But well before that we will have to take the decision – late next year – on whether to start formal accession negotiations with Turkey. And well before that we must also develop a far more clear-cut concept for what to do with the remaining, formerly so conflict-ridden, areas of the Balkans.

We already see a discussion on where the borders of Europe really are. How far can the process of enlargement of the European Union go?

According to the Treaties, membership is open to any European country that is a democracy and that is ready to abide by the rules of the club.

Morocco once applied, and was discreetly told that the Straits of Gibraltar remains a strait between Europe and Africa. But Turkey has been seen as a European country, although with most of its landmass in Asia, throughout the history of European integration. The Ukraine would certainly be a European nation, as so is undoubtedly also Russia.

Of these, it's only Turkey that is pursuing policies of true reform to making it possible to enter the European Union. The Ukraine is a long way off, and Russia is unlikely ever to have this ambition.

For modern Turkey, this is a strategic choice of the utmost importance. It's not only a choice between being a part of the Middle East or being a part of Europe, but also the choice between being a modern secular democracy, with most people being Muslims, or risking degenerating into something else.

The task of integrating Turkey will be an enormous one. A decade from now, it might well have more inhabitants than Germany, in that case making it the largest member state of the European Union. The largest city of the Union would then no longer be London with its ties across the Atlantic - but Istanbul straddling the divide between Europe and Asia.

I belong to those that believe that we can only build a truly lasting peace in Europe by building bridges over all that which divided us in the past.

There are no kings or philosophers or emperors or generals on the banknotes of the common currency – there was no way of finding those that could appeal in the same way to all these countries. Instead, you find bridges to cross, and doorways to enter.

Building bridges between communities in Belfast or Londonderry has not been easy, and often remains demanding. These days as well we can see the difficulties that still are there in the relationship between Germany and Poland. In Spain, the Basque issue is almost constantly on the agenda. In Bosnia, the process of reconciliation and reintegration is often frustratingly slow and complicated.

The issue of Turkey is also the issue of building bridges between nations formed by a more Christian heritage, and those formed by a more Moslem religious tradition. But this is an issue that we will be confronted with not only in our relationship with Turkey, but increasingly within our own societies as well.

Building bridges between nation states is also building bridges between nationalities within states. The second largest Turkish industrial city remains Berlin.

When we thus move our focus driven by the 1989 agenda - the search for secure peace, stable democracies and better conditions for prosperity for an increasing number of Europeans – further and further we are bound to encounter more and more of the consequences of that other dominating agenda of our time – the 2001 agenda set by the September 11 attacks against the United States.

Americans often have difficulties understanding how important the 1989 agenda is and remains for Europe, and Europeans often fail to understand how the 2001 agenda has transformed the American political landscape.

The agendas are certainly very different.

While the 1989 agenda is about building peace by sharing sovereignty on a regional basis, the 2001 agenda is about seeking security – far less than peace! – by exercising sovereign rights of self-defence on a global basis.

They are different in aims, in methods and in geographic scope. It is hardly surprising that with the dominating agendas being so different, we see a certain amount of tensions across the Atlantic also on other issues.

But the task of true statesmanship is to reconcile these two agendas. Not only do I believe that it can be done, but I am convinced that it must be done.

The one can, over time, not succeed without the other.

The terrorist threat remains a very real one. In its global form it is intimately connected with the tensions inside the Muslim world as it is confronting the forces of globalisation and modernisation.

Perhaps one can see at least some parallels with the internal convulsions of Christianity that tore Europe apart half a millennium ago – remember the Thirty Years War. And Islam is a faith roughly half a millennium younger than Christianity.

The most important task in what on the other side of the Atlantic is called the Global War on Terrorism is to build the barriers against terrorism inside these Muslim societies.

At the end of the day it is only by denying the terrorist the recruiting grounds, the financial possibilities and discreet political solidarity that we can be certain that they will gradually be as marginalized, as isolated and as without hope as they have become on this island.

This, then, is about building decent, hopefully even democratic, societies in these different states and regions.

We can – and we must! – defeat the terrorists by forceful anti-terrorist actions, more often than not undertaken by police and security forces acting in close cooperation across borders. But we will not defeat terrorism itself until it is denied a future by the very societies from which it seeks to recruit.

Were we to fail in building these barriers against the terrorist of tomorrow inside these societies, we would be forced to build barriers first between these societies and us - a task doomed to failure – and then inside our own societies – with failure in our increasing multicultural urban landscapes even more certain.

It is against this background that we must judge the tasks the international community is now confronted with in Afghanistan, Iraq or Palestine.

It is about trying to build stable societies, establish the rule of the law, and paving the way for representative government and prospering economies - about giving at the least some hope for the future to all those young people now standing idle on the street corners of Gaza, Mosul or Khandahar. If not, there is the risk that they will not be idle for long...

The political tasks are monumental.

In Iraq, we are confronted with the mother of all nation building. It could easily turn into another Yugoslavia. Between Israel and Palestine, everyone knows how a two-state solution should look, but no one seems to know how to get there. In Afghanistan, there will be no security for the political process if we are not ready to provide it.

But were we to solve the political problems of both Iraq and Palestine tomorrow – which seems less likely – we would still have to deal with the economic and social time-bomb that is ticking across the entire Greater Middle East – right on the doorstep of Europe.

You can see it in the micro perspective of a place like Gaza.

Three years ago, the UN was feeding 11 000 people there. Today, it has to feed more than 800 000 people – more than half of the population.

And you see it in the macro perspective of the entire region.

Today, the 22 Arab countries have a population of app 280 million people. But within two decades, this is likely to be app 450 million. It's a region with a greater proportion of young people than any other in the world. Today, 38 % of its population is below 14 years of age.

And while the population is exploding, the economies are stagnating. During the last two decades this region has had the weakest economic development of any region in the world with the exception of sub-Saharan Africa. Oil income simply isn't enough even for the oil-richest countries.

Seven of the ten largest Arab League member countries are still outside the World Trade Organisation. A third of the women can't read or write. The region has the lowest Internet penetration of any region of the world – including sub-Saharan Africa.

And almost without exception, it is ruled by more or less authoritarian regimes. Stability in the regimes has brought stagnation to the societies. But if this is not changed, and a process of reform and modernisation sets in, the storm clouds might well start gathering on the horizon.

A country like Pakistan already has a population larger than Russia. On present trends it will be the third most populous nation in the world – after China and India – within 50 years. It produces nuclear weapons, harbour schools of fundamentalism, has areas outside the effective control of the state and is locked into a conflict with India that claimed more than two hundred victims during the last month alone.

We have no alternative but to engage in the transformation of these societies in this vast region in the years to come. It is about our own security in the years ahead. And we can only do so by acting together – across the Atlantic, with the community of the United Nations – and by using primarily the instruments of economic development and political change.

Military instruments will also be called upon from time to time. The demand for soldiers for different peacekeeping duties is already outstripping the supply readily at hand.

But we should be aware of the limitations of military power. On its own, it can do little more than destroy structures and states. But on its own it can't build societies, create states or facilitate political or economic reform.

The immediate focus is on Iraq. Only months after the war, it's hardly surprising that things aren't stable. While the world is undoubtedly a better place without the regime of Saddam Hussein, the challenges ahead are formidable. We have to succeed, by common efforts, since failure would destabilize the entire region in a way that will affect each of our societies.

It must be understood that the liberation of Iraq from its past will not succeed without the liberation of Palestine from its present.

Israel might seek its security from terrorism beyond the might wall they now are building across these Holy Lands. But walls seldom solve problems.

Instead, it risks deflecting the frustration that breeds the terrorist in other directions, thus endangering the wider region, including Iraq, eventually perhaps posing an even greater danger also to Israel itself.

In the months ahead, much of the focus will be on Iran. The decision of the Norwegian Nobel Committee to give this year's peace prize to Shirin Ebadi from Iran – a Muslim women fighting for human rights – has sent a very strong signal of encouragement to all those seeking change. It comes at the same time as the confrontation between the international community and the regime in Teheran over its nuclear ambitions risks escalating.

There is most certainly a world outside of Europe and the Greater Middle East.

Today, the leaders of China are meeting to disclose their policies for the future. And in a few days time President Bush of the United States, President Putin of Russia, Prime Minister Koizumi of Japan, General Secretary Hu Jintao of China and others will meet in Bangkok to discuss issues of mutual concern.

In Africa, we might be on the verge of a peace agreement in Sudan, while the United Nations struggles with keeping some sort of peace going in the Democratic Republic of Congo and Liberia.

And there are certainly global issues that are not only political. The currency markets might be entering into a new period of instability as the dollar weakens. And we all nervously watch southern China to see if new infectious diseases will emerge from there in the same way SARS just did.

All of this could well be the subject of other speeches.

But the building of peace and the securing of democracy for nearly all of the continent of Europa remains one of the crowning achievements of recent time – and the dangers inherent in a failure to transform the Greater Middle East in the years and decades ahead certainly merit mention as the gravest of the threats that we are facing.

Hope – on the one side. Danger – on the other side. That's the world we live – and travel! – in.